Ricegrowers Limited (SunRice)

Peer results & rice market update

H1 FY24 highlights brand strength for pricing

FMCG/Agriculture

25 March 2024

We have compiled a summary of the results and outlook statements for our assessed peers of Ricegrowers Limited, trading as SunRice (ASX:SGLLV), with a particular focus on result drivers, outlook statements and resulting changes in FY24 consensus earnings estimates. We also review the current rice market. Most estimates were increased on the back of cost recovery from prior periods and improved seasonal factors, in particular a wetter-than-expected summer, with generally positive implications into FY25. Acquisitions continue to be a feature with Ridley Corp. (ASX:RIC), Elders (ASX:ELD), Grain Corp (ASX:GNC) and Bega (ASX:BGA) all making acquisitions over the last 6-months. Global rice prices continue to remain elevated following India's ban on rice exports (ex-basmati), providing sourcing opportunities for SGLLV but at the same time increasing the cost of rice sold into key markets. The exception is premium US medium grain rice (the proxy for Australian rice), which has declined ~40% on the back of a bumper US harvest. This is predominantly an issue for the paddy price and resulting rice pool revenue as evidenced by the lower 2024/2025 paddy price range relative to 2023/2024. Volumes likely remain sufficient to cover fixed cost overhead allocations. SGLLV continues to trade at a material discount to peers.

Business model

SunRice has a unique and complementary corporate structure, balancing grower (A-Class shareholders) requirements for a rice crop that delivers them an acceptable paddy price, with the profit/dividend requirements of B-Class shareholders (including coverage of group overheads) delivered by the 'Profit Businesses' of International Rice, Corporate, Riviana Foods, Rice Food and CopRice. SunRice has domestic infrastructure to handle ~1m paddy tonnes across two Australian harvests and multi-region/multi-origin sourcing to supplement harvests while taking advantage of opportunities globally. Growth is focused on acquisitions and organic growth in the branded Fast-moving consumer goods (FMCG) space.

Brand and supply chain strength help in a higher price setting

Global rice prices remain elevated in part due to export restrictions from the world's largest exporter, India. Higher prices are good for producers and traders if they can be passed through in full, but when dealing with markets such as the pacific islands (SGLLV) and Africa (EBRO Foods) this can be problematic. The results and commentary from both SGLLV and closest global listed peer EBRO Foods show continued revenue and EBITDA growth from the International and Rice divisions respectively for the same reasons, cost recovery, strong brands and a diversified and multi-region supply chain. Weakness in premium US medium grain prices (a proxy for Australian rice) is predominantly an issue for paddy prices and rice pool revenue, but also impacts the Internation division to a lesser extent.

SoTP valuation $12.10/share or $760m market cap

Our preferred valuation method for SunRice is a Sum of The Parts (SoTP) using adjusted consensus peer EBITDA multiples for FY24f. There are a number of listed peers with consensus data for comparison across the spread of SunRice businesses. Our SoTP valuation increases from $11.45/share to $12.10/share due to higher multiples across the peer group. Our Discounted Cash Flow (DCF) calculation as a sense check is $10.90/share but is somewhat limited given long-term rice harvest visibility. The group's Net Tangible Assets (NTA) were stated at $7.61/share in October 2023.

Historical earnings and RaaS' estimates (in A$m unless otherwise stated)

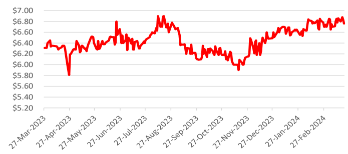
Year end	Revenue*	EBITDA adj.	NPAT adj.	EPS adj.	PER (x)	Dividend Yield (%)
04/22a	1,331.1	90.2	47.1	0.81	8.4	5.9
04/23a	1,634.4	115.1	55.7	0.93	7.3	7.4
04/24f	1,845.3	144.2	71.9	1.18	5.8	8.1
04/25f	1,854.4	149.9	78.6	1.26	5.4	8.1

Source: Actual FY22 and FY23, RaaS estimates FY24f and FY25f; EBITDA, NPAT and EPS adjusted for one-time, non-recurring and non-cash items

Share Details

ASX code	SGLLV
Share price (22-Mar)	$6.80
Market capitalisation	$432.5M
Shares on issue	62.8M
Net debt at 30-Sep-23	$240.0M
Free float	~98%

Share Performance (12 months)



Upside Case

- Stability in water availability/pricing
- EPS-accretive acquisitions
- New product and market developments

Downside Case

- A return to drought conditions in the Riverina
- Long-term access to water
- Price competition/private label in key markets

Board of Directors

Laurie Arthur	Non-Exec. Chair/Grower
Paul Serra	Chief Exec. Officer
John Bradford	Non-Exec. D-Chair/Grower
Luisa Catanzaro	Non-Exec. Dir/Non-Grower
Andrew Crane	Non-Exec. Dir/Non-Grower
Ian Glasson	Non-Exec. Dir/Non-Grower
Melissa De Bortoli	Non-Exec Dir/Grower
Ian Mason	Non-Exec Dir./Grower
Julian Zanatta	Non-Exec Dir/Grower

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Latest Peer Results/Commentary

Below we look at recently reported results for our assessed SGLLV peers and summarise commentary surrounding some of the key drivers of the result and outlook, and any implications for SGLLV.

Ridley Corporation (ASX:RIC)

Reported 14 February 2024 and delivered flat H1 FY24 revenue on the pcp (previous corresponding period) and EBITDA growth of 8.8%.

- **Divisionally**. Bulk Stockfeeds EBITDA increased 29% on improved capacity utilisation from market share gains, while Packaged Feeds & Ingredients EBITDA declined 5% on lower ingredients (tallow & meals Cost of Goods Sold (COGS) and recovery in sales prices.
- **Outlook**. It says it is expecting 'ongoing earnings growth in the second half from premiumisation in the Packaged Feeds & Ingredients segment, including a (first time) contribution from the planned acquisition of OMP'.
- **OMP acquisition**. RIC announced the acquisition of OMP (Oceania Meat Processors) on 18 December 2023 for A$52.8m, which represents an implied EBITDA multiple of 5.4x. OMP is a premium producer of mechanically deboned meat and other raw material ingredients for the global pet industry.
- **FY24 consensus estimate changes**. No material changes in FY24.
- **Share price move since 1 January 2024**. -17% with the share price falling post the interim result.
- **Implications for SGLLV**. The premiumisation trend in packaged feeds should support SGLLV's CopRice division, as should sector consolidation in which SGLLV could participate.

Bega (ASX:BGA)

Reported 22 February 2024 and delivered group H1 FY24 revenue growth of 3.2%, normalised EBITDA growth of 2.5% and a 29% decline in normalised Net Profit After Tax (NPAT).

- **The bulk business** was significantly affected by a farm gate milk price disconnect to global dairy prices, squeezing COGS and Gross Profit Margin (GP%), and resulting in a $55m decline in EBITDA (from $49.5m to a loss of $5.6m).
- **Branded business**. A combination of price increases and volume growth delivered 8% revenue growth and 120% normalised EBITDA growth, recouping some of the inflationary pressures in the prior period.
- **Cost reductions**. An organisational realignment was completed in Nov/Dec 2023 and Bega expects it to deliver >$20m in annualised cost savings while supporting its revised 5-year strategy.
- **Betta Milk and Meander Vally Dairy acquisition** approved by the ACCC 1 December 2023 following an initial announcement on 28 August 2023.
- **Outlook**. Management says it sees further opportunities for product innovation in the branded business, while the environment for the bulk business is said to be improving with global dairy prices off their August 2023 lows. Offsetting this is caution on the Australian economy and some strong pre-Christmas trade in the branded business (tough comparison for H1 FY25).
- **FY24 consensus estimate changes**. EBITDA guidance was maintained at $160m-$170m (H1 $76.5m), with consensus changes in revenue +3%, EBITDA +9% and EPS +5%.
- **Share price move since 1 January 2024**. Up 17% with most of the performance post the interim result release.
- **Implications for SGLLV**. Strong brands are able to pass price increases through and innovate products, as can be seen in the BGA branded business result.

Lynch (ASX:LGL)

Reported 21 February 2024 and delivered H1 FY24 revenue growth of 3% and EBITDA growth of 28% to $16.7m, which exceeded management guidance of $15m-$16m.

- **Australian** revenue grew 4% and EBITDA 79% on the back of profit recovery initiatives across procurement, freight and labour. The supermarket channel was solid while wholesale volumes declined due to weak consumer spending.
- **China** revenue declined 8% and EBITDA declined 44% on the back of weaker year-on-year pricing, a function of weak consumer demand and higher volume into the market.
- **Capex** is expected by Lynch management to be between $12m-$14m as new production capacity is added in Australia and greenhouse expansion in China.
- **FY24 consensus estimate changes**. No consensus estimates are available.
- **Share price move since January 1**. Down 21%.
- **Implications for SGLLV**. The supermarket channel appears to be holding up well relative to the wholesale channel in Australia.

Grain Corp (ASX:GNC)

Being a September year-end, GNC does not report in February but held its AGM on February 14, 2024 which contained updated guidance for FY24, remembering FY22 and FY23 were generally considered above trend. EBITDA guidance was $270m-$310m (FY23 $565m), and NPAT guidance $65m-$95m (FY23 $250m). Consensus estimates at the time were $329m EBITDA and $118m NPAT.

- **Harvests**. The guidance reflects 'more normalised crop volumes and a moderation of margins from historically high levels'.
- **$50m buyback** due to commence in H2 CY24 following the peak in working capital commitments for the season.
- **XF Australian acquisition** was approved by the ACCC on 21 March 2024 following an initial announcement on 15 November 2023. XF Australia is an animal feed supplements provider.
- **FY24 consensus estimate changes**. Revenue +2%, EBITDA -10% and NPAT -24%.
- **Share price move since January 1**. Up 12%, declining post AGM commentary but recovering since as the outlook for FY25 improves following recent rains and resulting improvement in soil moisture.
- **Implications for SGLLV**. Recent rains also support rice production in Australia. GNC is currently experiencing the opposite of SGLLV, with current volumes not fully utilising existing capacity.

Elders (ASX:ELD)

Being a September year-end, ELD does not report in February but held its AGM on December 15, 2023. As a recap ELD reported a revenue decline of 3.6% and underlying EBIT decline of 26% to $171m in FY23.

- **Divisionally FY23 saw** gross profit declines in AgChem, Fertiliser, Agency Services, Real Estate and Feed & Processing, and improvements across Animal Health, Other Retail and Financial Services.
- **Pricing**. Key livestock prices have improved from the August 2023 low due to improved seasonal (rain) conditions, suggesting improved fertiliser sales and higher selling prices.
- **Acquisitions over the last 6**-months include Charles Stewart (livestock and real estate agency) announced 1 November 2023, and Eureka (agricultural chemicals) announced 2 October 2023.
- **FY24 consensus estimate changes**. Revenue +2%, EBITDA +3% and EPS +6%.
- **Share price move since 1 January 2024)**. Up 21% and rising steadily over the period.
- **Implications for SGLLV**. Appear limited.

EBRO (SM:EBRO)

SGLLV's most comparable international peer is EBRO, in our opinion. EBRO reported CY23 results on 29 February, 2024 and delivered CY23 sales growth of 4.9% in FY23 coming off 22% growth in CY22 as lower inflation slowed the rate of growth. EBITDA growth was 15.7% to €387m, benefiting from price recovery in the pasta division (20% of EBITDA) and ongoing strength in the rice division (80% of EBITDA).

Divisionally the pasta division (+54% EBITDA) performed better than the rice division (+7.5% EBITDA) as price recovery initiatives delivered COGS despite flat sales growth.

- **Debt.** EBRO's net debt closed the year €192m lower at year €570m due to reduced inventory and despite continued capex spend.
- **Capex**. EBRO says it has spent over €900m since FY16 (€142m in FY23) on organic growth projects, most of which should be completed in 2024, with benefits likely to flow in future years.
- **Supply chain offsets Spanish drought**. Despite a ~50% reduction in Spanish rice availabilities due to drought, the rice division delivered EBITDA growth due to strategic positions in multiple supply zones, strong brands and growth in the Middle East.
- **FY24 consensus estimate changes**. Revenue +2%, EBITDA +4% and EPS +4%.
- **Share price move since 1 January 2024**. Down 2%, declining steadily since January 1 but recovering post the CY23 result release.
- **Implications for SGLLV**. Supply chain flexibility, international operations (95% of EBITDA) and strong brands have somewhat insulated EBRO to domestic rice conditions, with SGLLV having similar traits, in our view.

Key consensus changes sourced from Refinitiv since January 1, 2024, are summarised in the table below.

Exhibit 1: Percentage change in FY24 consensus estimates since January 1, 2024

Company	Revenue	Adj. EBITDA	NPAT	EPS
TWE	3	1	2	4
SHV	2	38	127	115
GNC	2	(10)	(24)	(20)
ELD	2	3	1	3
BGA	3	9	13	5
RIC	0	(1)	(2)	1
LGL	na	na	na	na
EBRO	2	4	4	4
SGLLV *	5	5	3	3

Source: Refinitiv *RaaS estimate changes post H1 FY24 result

Consensus EPS growth assumptions out to FY26 are summarised below.

Cyclicality can be seen in the numbers of SHV, GNC and BGA, while the earnings of RIC, EBRO, ELD and SGLLV and forecast to be relative stable over the forecast period FY24 to FY26.

Exhibit 2: Consensus EPS growth summary – FY24-FY26 (% growth on the pcp)

Company	FY24f	FY25f	FY26f	CAGR
TWE	2	21	13	12
SHV	-108	312	34	nm
GNC	-64	9	12	-14
ELD	-8	11	9	4
BGA	4	60	34	33
RIC	6	22	7	11
LGL	na	na	na	na
EBRO	0	3	10	4
SGLLV *	26	7	(3)	10

Source: Refinitiv * RaaS estimates only

SGLLV H1 FY24 Result Recap

- Continued availability of Riverina rice and strong sales into the Middle East and Asia resulted in +34% increase in **Rice Pool** revenue, fully covering allocated overheads;
- **International** revenue increased 26%, also on the back of the continued availability of Riverina rice, sourcing opportunities in a complex rice market (drought, export bans, currency), and generally higher sell prices. Adjusted EBITDA was 126% above H1 FY23 on the back of lower freight costs and higher prices. Trukai EBITDA was above H1 FY23 when adjusted for FX losses (we have assumed all the $6.6m in FX losses are Trukai given the recent ~10% depreciation of the Kina against the USD);
- **Rice Food** revenue increased 5%, mainly on the back of price increases. EBITDA increased 1%, impacted by price competition from supermarket private labels;
- **Riviana Foods** revenue increased 4% on the back of price increases. EBITDA declined 14% off a low base on the back of higher marketing spend (which should benefit H2 FY24), competition and some non-recurring costs;
- **CopRice** delivered revenue growth of 16%, on the back of continued market-share and efficiency gains for the legacy business. EBITDA increased 95% to $7.9m due to margin mix, lower costs and resulting operating leverage;
- **Corporate EBITDA increased 36%** as higher 10-year bond yields result in further adjustments to the WACC requirements for the division's assets, and higher branded sales boosted brand license fees;
- **Interest expense** increased materially on the back of higher average debt (inventory rebuild) and higher interest costs (a higher BBSW). Much of this increase was recouped in Corporate.

Exhibit 3: SGLLV H1 FY24 result (in A$m unless otherwise stated)

Variable (A$000')	H1 FY23	H1 FY24	% Chg	Comments
Revenue	**755.8**	**915.9**	**21**	
Rice Pool	145.8	195.5	34	Higher selling prices aided by lower AUD
International	334.8	420.9	26	Higher rice prices globally and increases scale/reach
Rice Food	55.8	58.8	5	
Riviana Foods	107.3	111.2	4	
CopRice	112.1	129.5	16	Price increases and market share gains
Gross profit	**324.3**	**364.5**	**12**	
GP margin %	42.9%	39.8%		
Operating costs	(283.3)	(296.0)	4	
Underlying EBITDA	**41.0**	**68.6**	**67**	**$63m reported**
Rice Pool	0.0	0.0		
International	14.6	33.0	126	
Trukai (PNG)	7.0	10.0	42	Assumes 100% of $6.6m FX loss is Trukai
Balance	7.5	23.0	205	Rice prices and lower freight costs
Rice Food	4.5	4.6	1	
Riviana	2.1	1.8	(14)	Lower than forecast, FX impacting COGS
CopRice	4.0	7.9	95	Legacy business continues to improve
Corporate	15.6	21.2	36	Higher WACC (bond yields), excludes property sale
D&A	(13.9)	(14.0)		
EBIT	**27.1**	**54.6**	**101**	
Interest expense	(4.9)	(10.0)		Higher interest rates and working capital
PBT	22.2	44.6	101	
Tax	(4.3)	(9.1)		
Outside equity	1.9	2.6		Adjusted for assumed Trukai FX loss
Adj. NPAT	**16.1**	**32.9**	**105**	
Abnormals/adjustments	1.6	(3.0)		FX losses and property profits tax adjusted
Reported NPAT (B-Class)	17.7	30.0	69	

Source: Company announcements and RaaS estimates

Global rice market update

According to the latest United States Department of Agriculture (USDA) rice crop report (February 2024[1]) global rice production will reach a record 513.7m tons in 2023/24.

Global domestic and residual use is projected at a record 522.9m tons in 2023/24, up 0.5% on 2022/23. The major driver is an extension in India's free food grain plan for fiscal year 2024 (April-March). More than 813m residents are eligible for this plan under the National Food Security Act.

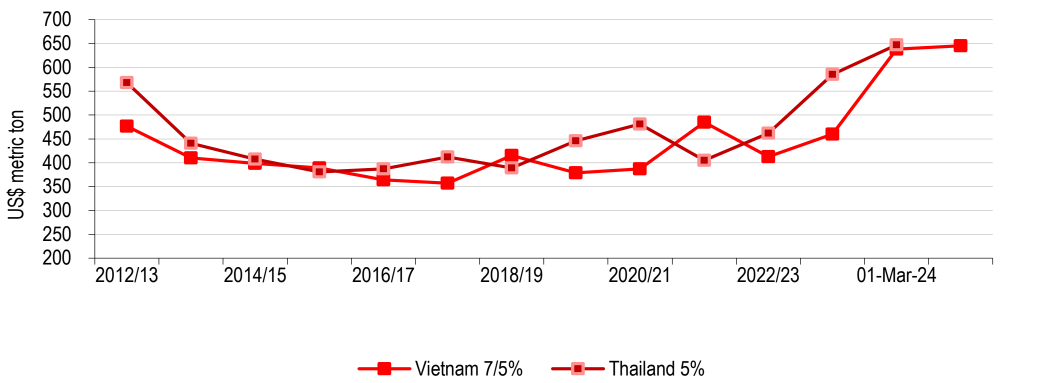
Global stock levels as a result have declined to a six-year low of 167.2m tons, according to the USDA.

The global export market (and SGLLV's International division) has been disrupted by the ban on Indian exports (ex-Basmati) since July 20, 2023. India is the world's largest exporter of rice, leaving Vietnam, Thailand, Pakistan and the US to take up some of the slack.

Prices as a result have increased across most grades over the past 12 months, in particular:

- **Thailand 5% broken prices are up 20% on the average 2022/23 price**, primarily in response to India's export restrictions on regular milled white rice.
- **Vietnam 5% broken prices are up 40% on the average 2022/23 price,** the highest since 2008 and aided by tight supply, rising costs and increased demand, again in response to Indian restrictions.

Exhibit 4: Thailand and Vietnam 5% broken prices (US$)



Source: USDA November 2023 Rice Crop report

US medium grain rice prices have been the exception, with:

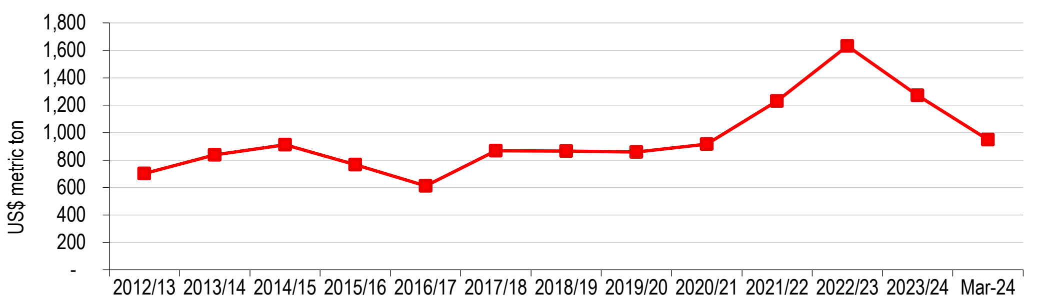
- **Californian medium-grain Number-1 Grade 4% brokens,** a proxy for Australian rice, well off the record highs (~$1,650/ton) seen over 2022/23, down to $950/ton in March 2024 as 2023/24 US rice production is the largest since 2011/2012, coming off years of extreme drought.

  This is predominantly an issue for the rice pool and resulting paddy price and can be seen in the latest price range set for 2024/2025 at $370-$430 per tonne which is below the 2023/2024 range of $415-$440 per tonne. Such levels are still regarded as high enough to encourage plantings.

- **US long-grained milled rice, Number 2 grade 4%-broken** kernels (Iraq specifications), has been trading at US$765/ton since February 2023, which remains around the 2008 highs.

[1] ers.usda.gov/publications/pub-details/pubid=108546

Exhibit 5: US medium Grain Number 1 Grade 4% Brokens (US$)



Source: USDA

Peer Comparisons

Our assessed peer group for SGLLV has the following characteristics:

- Exposure to an agricultural cycle;
- Base product is essentially a commodity;
- An owner of market-leading FMCG brands sold into major supermarkets;
- Material infrastructure ownership; and
- Australian listed.

Key domestic and international peers that satisfy some or all of these requirements are listed in the peer comparison table below.

Exhibit 6: Peer group financial comparison – FY24 (in A$m June year-end unless otherwise stated)

Company name	Ticker (ASX unless stated)	Share price (cps)	Mkt. cap.	Revenue	Adj. ## EBITDA	Adj. NPAT	Adj. EPS	Adj. ## EBITDA multiple (x)	FY23 Working capital /Rev (%)	Debt/ EBITDA (x)
Treasury Wines	TWE	$12.30	8,878	2,738	764.9	440.1	0.61	11.6	36	1.8
Select Harvest #	SHV	$4.03	487	256	34.0	6.8	0.06	14.3	31	5.6
PEERS USED										
Elders #	ELD	$8.06	1,803	6,495	269.4	92.4	0.41	6.7	14	1.4
Bega Cheese	BGA	$9.10	1,422	3,290	179.6	101.5	0.65	7.9	19	2.6
Ridley	RIC	$4.10	1,246	3,476	152.5	45.5	0.15	8.2	7	1.6
Select Harvests #	SHV	$2.29	732	1,280	90.1	44.6	0.14	8.1	3	0.5
Lynch Group **	LGL	$1.34	164	400	35.8	12.4	0.10	4.6	(3)	2.2
PEER AVERAGE								**7.1**	**15**	**2.2**
FMCG AVERAGE								**8.2**	**21**	**1.7**
SunRice *	SGLLV	$6.80	433	1,634	111.2	55.7	0.93	3.9	28	1.8
Ebro Foods (€) ^	EBRO:SM	15.32	2,356	3,153	369.0	197.0	1.28	6.4	24	1.5

Sources: Company financials, Refinitiv; Prices 18 March 2024; # Sept year-end; * April year-end; ^ Dec year-end;
Adj. EBITDA adds back RoU/rental expense (Pre-AASB16) ** Based on management guidance

Looking at SGLLV relative to the domestic peer group, we would highlight the following:

- Trading at a material discount to peers on an EV/EBITDA multiple (subtracting rent paid), EV/EBIT and PER multiple using FY24 consensus data;
- Working capital to revenue for SGLLV at the higher end of peers, albeit affected by the two strong harvests in recent years;

- Debt to EBITDA around the peer average, again affected by the working capital requirements of recent large harvests; and
- Capex to revenue and capex to core PP&E depreciation at the lower end of peers despite significant PP&E (low maintenance assets).

Valuation

Sum of The Parts

We view SunRice as a cross between an infrastructure business (Corporate), a brand owner (Corporate), a trading business (International), FMCG (International, Rice Food and Riviana), and Animal Feed (CopRice).

We have previously used Treasury Wine Estates (ASX:TWE) as a peer but have taken it out of calculations due to its large market capitalisation, while we continue to exclude Select Harvests (ASX:SHV) metrics due to the distortion of arguably bottom-of-cycle metrics.

The table below presents a Sum-of-The-Parts (SoTP) valuation for SunRice using EBITDA multiples, derived from FY24 consensus estimates adjusted for rental expense/Right-of-Use (subtracted from EBITDA), and then applied to RaaS FY24(f) adjusted SGLLV divisional EBITDA:

- An 8.2x EBITDA multiple for FMCG businesses, in-line with the average of the FMCG businesses in the peer group (BGA);
- A 7.3x EBITDA multiple for the Corporate business, the average of GNC and ELD multiple in recognition that SunRice Corporate provides both infrastructure (GNC) and brands (ELD) to its rice growers;
- An 8.1x multiple for CopRice, in-line with RIC metrics which is essentially 100% animal feed; and
- A 7.1x EBITDA multiple for International, which is the average of the peer group. It should be noted the tax rate of this business historically well below peer averages.
- Actual October 2023 debt levels, which RaaS believes are reflective of ongoing sustainable debt levels given the harvest outlook.

The net result is an increase in our SoTP valuation from $11.45/share to $12.10/share. The main driver is higher multiples across most divisions with the peer average share price +9% since January 1, 2024.

Exhibit 7: SGLLV Sum-of-The-Parts valuation – FY24 A$m unless otherwise stated

Division	FY24 adj. EBITDA	Adj. EBITDA multiple (x)	Valuation	Comments
International	61.5	7.1	437	A key assumption given EBIT size
Rice Food	11.1	8.2	91	FMCG peers
Riviana Foods	6.8	8.2	56	FMCG peers
CopRice	16.1	8.1	130	RIC is the key peer
Corporate	44.7	7.3	326	Average of ELD and GNC
Less				
33.8% of Trukai	4.3	7.1	-31	Same multiple as International
Net debt (Oct-23a)			-240	Actual as at Oct-2023
VALUATION			**769**	
Shares on issue			64	
EQUITY VALUE			**$12.10**	**Up from $11.45/share**

Source: Refinitiv and RaaS estimates

Investment Case Revisited

We believe the investment case for SunRice B-Class shareholders is managing a sweet spot in Riverina rice harvest volumes over the next three years, recouping significant freight costs and growing the footprint of key 'profit businesses' both organically and via acquisition:

- RaaS now forecasts a sustainable **dividend of** $0.55/share, implying a fully franked dividend yield of 8.0%. History indicates that the company does not cut dividends once set.
- **Continued availability of Riverina rice** opens up international export opportunities while at the same time covering the overhead charge for the Rice Pool. A likely CY24 harvest (for sale in FY25) of >500k paddy tonnes together with the 500k Paddy Ton harvest in CY23 is widely regarded as a 'Goldilocks' level and with significant water storage capacity in the Riverina and the ability to carry forward stock, supply looks strong into at least FY27, in our view.
- **Global rice markets appear generally supportive** for Australian rice demand and general sourcing opportunities for International over coming years with overall global stock levels the lowest in six years according to the USDA. New opportunities also exist in the UK (Free Trade Agreement) and Japan, while a change in the current ban on Indian exports should also improve sourcing opportunities.
- **Cost recovery opportunities** remain for freight and distribution in H2 FY24, particularly for the International and Riviana divisions. Riviana should also benefit from a higher AUD (COGS).
- **Improved return rates should continue for the Corporate division** (31% of FY24f EBITDA) as higher 10-year bond rates drive higher return requirements from the Group's infrastructure due to an increased Weighted Average Cost of Capital (WACC).
- **EPS-accretive acquisitions in the branded FMCG space** may well continue, with the group building a solid brand portfolio across convenience and healthy rice snacks (Rice Food), animal feed (CopRice), and the branded entertainment/special occasion products (Riviana). The size of acquisitions has been progressively increasing, suggesting more material EPS accretion is possible.
- **SGLLV is trading at a material discount to selected ASX peers** on key metrics including EV/adjusted EBIT, EV/EBIT and PER using FY24f consensus forecasts against RaaS FY24 divisional estimates.
- **Our Sum-of-The-Parts valuation is $12.10/share, indicating 78% upside potential to the current share price.**

Exhibit 8: SGLLV Financial Summary

Ricegrowers t/a SunRice					
Profit and Loss (A$m)					
Y/E 30 April	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
	A	**A**	**A**	**F**	**F**
Revenue	1,022.2	1,331.1	1,634.4	1,845.3	1,854.4
EBITDA	47.5	90.2	115.1	144.2	149.9
Depn	(23.2)	(23.5)	(25.4)	(25.1)	(25.3)
Amort	(1.7)	(2.7)	(2.9)	(3.0)	(3.0)
EBIT	22.6	64.0	86.7	116.0	121.6
Interest	(4.8)	(4.8)	(14.0)	(20.3)	(17.8)
Tax	(0.8)	(10.9)	(14.9)	(21.1)	(22.8)
Minorities	2.5	(1.2)	(2.2)	(2.8)	(2.3)
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant it	**19.5**	**47.1**	**55.7**	**71.9**	**78.6**
Significant items	1.3	0.4	(3.2)	(5.7)	0.0
NPAT (Reported)	**20.8**	**47.6**	**52.5**	**66.1**	**78.6**
Cash flow (A$m)					
Y/E 30 April	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
EBITDA (less rent)	43.3	86.3	110.2	139.2	144.7
Interest paid	(4.8)	(4.8)	(14.0)	(20.3)	(17.8)
Tax Paid	(5.6)	(6.1)	(3.2)	(25.0)	(21.9)
Working capital changes	5.6	(57.1)	(146.1)	14.7	(27.4)
Operating cash flow	**38.5**	**18.2**	**(53.1)**	**108.6**	**77.6**
Mtce capex	(17.6)	(16.5)	(20.1)	(21.1)	(22.1)
Free cash flow	**20.9**	**1.7**	**(73.2)**	**87.5**	**55.4**
Growth capex	0.0	0.0	0.0	0.0	0.0
Acquisitions/Disposals	(66.2)	(37.5)	(0.3)	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financin	**(45.3)**	**(35.8)**	**(73.4)**	**87.5**	**55.4**
Equity	0.0	0.0	0.0	0.0	0.0
Debt	58.0	56.3	124.2	(70.0)	(10.0)
Dividends paid	(14.5)	(19.8)	(18.5)	(28.1)	(28.7)
Net cash flow for year	**(1.8)**	**0.6**	**32.3**	**(10.7)**	**16.8**
Balance sheet (A$m)					
Y/E 30 April	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Cash	23.5	42.6	74.3	64.9	81.6
Accounts receivable	175.8	260.0	306.4	351.7	354.6
Inventory	375.7	525.0	569.9	626.2	631.4
Other current assets	4.3	3.5	0.6	0.6	0.6
Total current assets	*579.4*	*831.1*	*951.3*	*1,043.5*	*1,068.3*
PPE	262.3	267.6	270.1	271.1	273.1
Goodwillc& Intangibles	58.5	85.7	84.9	81.9	78.9
Investments	5.4	5.6	5.7	5.7	5.7
Deferred tax asset	15.9	8.5	14.6	14.6	14.6
Other non-current assets	0.3	0.3	0.5	0.0	0.0
Total non current assets	*342.4*	*367.7*	*375.8*	*373.2*	*372.2*
Total Assets	**921.8**	**1,198.8**	**1,327.1**	**1,416.7**	**1,440.5**
Accounts payable	143.9	217.7	238.1	273.2	275.5
Short term debt	85.0	125.1	299.1	229.1	219.1
Payable to Ricegrowers	112.5	200.1	112.5	193.6	172.0
Other current liabilities	28.0	30.0	50.6	55.1	55.4
Total current liabilities	*369.4*	*572.8*	*700.2*	*751.0*	*722.0*
Long term debt	86.5	115.3	66.7	66.7	66.7
Other non current liabs	4.9	5.3	3.5	4.7	8.0
Total long term liabilities	*91.4*	*120.6*	*70.2*	*71.4*	*74.7*
Total Liabilities	**460.8**	**693.4**	**770.4**	**822.4**	**796.7**
Net Assets	**461.1**	**505.3**	**556.7**	**594.3**	**643.8**
Share capital	134.6	142.5	152.5	159.0	165.4
Reserves	(5.5)	(21.4)	(11.6)	(11.6)	(11.6)
Retained profits	315.1	364.8	392.5	423.6	466.7
Minorities	16.9	19.4	23.2	23.2	23.2
Total Shareholder fund	**461.1**	**505.3**	**556.6**	**594.2**	**643.8**

Share price (22 March 2024)						A$ 6.80
Interim (A$m)	**1H22**	**2H22**	**1H23**	**2H23**	**1H24**	**2H24F**
Revenue	563.3	767.7	758.0	876.5	918.8	930.0
EBITDA	36.4	53.7	40.9	74.2	68.6	75.6
EBIT	23.6	40.4	27.0	59.7	54.6	61.4
NPAT (normalised)	16.3	32.0	17.8	40.0	35.5	39.2
Minorities	(0.1)	1.3	1.9	0.3	2.6	0.2
NPAT (Class B)	**16.4**	**30.7**	**16.0**	**39.7**	**32.9**	**39.0**
EPS (normalised)	0.27	0.50	0.25	0.63	0.52	0.61
EPS (reported)	0.27	0.50	0.25	0.63	0.52	0.61
Dividend (cps)	0.10	0.30	0.10	0.40	0.15	0.40
Imputation	30.0	30.0	30.0	30.0	30.0	30.0
Operating cash flow						
Free Cash flow						
Divisions	**1H22**	**2H22**	**1H23**	**2H23**	**1H24**	**2H24F**
EBITDA - Rice Pool	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA - International Rice	16.3	25.7	14.6	26.7	33.0	29.6
EBITDA - Rice Food	3.5	4.4	4.5	6.5	4.6	6.7
EDITDA - Riviana	6.7	7.3	2.1	4.2	1.8	5.2
EBITDA - CopRice	(2.2)	1.7	4.0	8.4	7.9	9.0
EBITDA - Corporate	12.1	14.7	15.6	28.4	21.2	25.1
TOTAL EBITDA	**36.4**	**53.7**	**40.9**	**74.2**	**68.6**	**75.6**
Costs - Raw materials	(339.3)	(484.1)	(433.7)	(530.5)	(554.3)	(569.9)
Costs - Freight and distributio	(54.4)	(92.5)	(113.3)	(112.6)	(100.0)	(102.0)
Costs - Employee benefits	(73.4)	(75.3)	(89.0)	(89.5)	(98.3)	(98.0)
Other Operating Costs	(61.5)	(67.9)	(81.0)	(73.1)	(97.6)	(84.6)
Margins, Leverage, Returns		**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
EBITDA		4.6%	6.8%	7.0%	7.8%	8.1%
EBIT		2.2%	4.8%	5.3%	6.3%	6.6%
NPAT pre significant items		1.9%	3.5%	3.4%	3.9%	4.2%
Net Debt (Cash)		-147.9	-197.8	-291.4	-230.8	-204.1
Net debt/EBITDA (x)	(x)	3.1	2.2	2.5	1.6	1.4
ND/ND+Equity (%)	(%)	24.3%	28.1%	34.4%	28.0%	24.1%
EBIT interest cover (x)	(x)	4.7	13.3	6.2	5.7	6.8
ROA		2.6%	6.0%	6.9%	8.5%	8.5%
ROE		5%	10%	10%	11%	13%
ROIC		5%	15%	17%	20%	23%
NTA (per share)		7.2	7.4	8.0	8.6	9.5
Working capital		407.6	567.3	638.3	704.7	710.5
WC/Sales (%)		**40%**	**43%**	**39%**	**38%**	**38%**
Revenue growth		-8%	30%	23%	13%	0%
EBIT growth pa		-55%	183%	35%	34%	5%
Pricing		**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
No of shares (y/e)	(m)	60.0	61.8	62.7	63.7	64.6
Weighted Av Dil Shares	(m)	60.0	61.8	62.7	63.7	64.6
EPS Reported	cps	0.34	0.76	0.82	1.02	1.20
EPS Adjusted	cps	0.35	0.81	0.93	1.18	1.26
EPS growth (norm/dil)		-27%	128%	16%	26%	7%
DPS	**cps**	**0.33**	**0.40**	**0.50**	**0.55**	**0.55**
DPS Growth		0%	21%	25%	10%	0%
Dividend yield		4.9%	5.9%	7.4%	8.1%	8.1%
Dividend imputation		30.0	30.0	30.0	30.0	30.0
PE (x)		19.3	8.4	7.3	5.8	5.4
PE market		16.0	16.0	16.0	16.0	16.0
Premium/(discount)		20%	-47%	-55%	-64%	-66%
EV/EBITDA		11.7	6.9	6.2	4.6	4.3
FCF/Share	cps	0.6	0.3	(0.8)	1.7	1.2
Price/FCF share		10.6	23.0	(8.0)	4.0	5.7
Free Cash flow Yield		9.4%	4.3%	-12.5%	25.1%	17.7%

Source: Company data for actuals, RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

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Effective Date: 6th May 2021

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- how we transact with you
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